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MAR 20 2008

**PUBLIC SERVICE
COMMISSION**

Via Overnight Mail

March 19, 2008

Beth A. O'Donnell, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Administrative Case No. 2007-00477

Dear Ms. O'Donnell:

Please find enclosed the original and twelve (12) copies of DATA RESPONSES OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC., TO STAFF FIRST SET OF DATA REQUESTS filed in the above-referenced matter.

By copy of this letter, all parties listed on the attached Certificate of Service been served. Please place these documents of file.

Very Truly Yours,



David F. Boehm, Esq.
Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment
cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by regular U.S. mail (unless otherwise noted) to all parties on the 19TH day of March, 2008.

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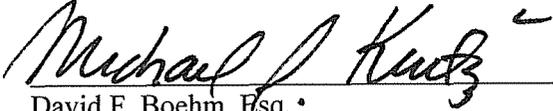
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A handwritten signature in black ink that reads "Michael L. Kurtz" with a small flourish at the end. The signature is written over a horizontal line.

David F. Boehm, Esq. •
Michael L. Kurtz, Esq.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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MAR 20 2008

PUBLIC SERVICE
COMMISSION

In the Matter of: :
: :
AN INVESTIGATION OF THE ENERGY AND : Administrative Case No. 2007-00477
REGULATORY ISSUES IN SECTION 50 OF :
KENTUCKY'S 2007 ENERGY ACT :

RESPONSE OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
TO STAFF FIRST SET OF DATA REQUESTS

1. Refer to the direct testimony of Kevin C. Higgins ("Higgins Testimony"), page 3, Item 3, No. 2 lines 16-21. Is the reference to KIUC's continued support of the "opt-out" provision of KRS 278.190 actually a reference to Section 3 of KRS 278.285, which authorizes industrial customer to "opt-out" of demand-side management programs under certain conditions? If no, cite the pertinent section of KRS 278.190 which is being referenced.

RESPONSE: Yes. The intended reference is Section 3 of KRS 278.285. In addition, the reference on page 3, line 12 of Mr. Higgins's testimony should be to KRS 278.285 as well.

2. KRS 278.285(3) states, "The commission shall allow individual industrial customers with energy intensive processes to implement cost-effective energy efficiency measures in lieu of measures approved as part of the utility's demand-side management programs if the alternative measures are not subsidized by other customer classes." Does KIUC believe that there should be any benchmark in term of dollars spent or in terms of savings, dollars saved or energy saved, in order for industrial customers to qualify for the "opt-out" provision? Explain your response.

RESPONSE: No. The statute provides that these energy efficiency measures must be "cost-effective." To be cost-effective, the net present value of the investment must be positive. This does not require a minimum dollar expenditure, a minimum dollar amount saved, or a minimum amount of energy saved.

3. **Refer to the Higgins Testimony, page 10, lines 19-22, which states that KIUC supports “encouragement of distributed generation through reasonably priced and well structured partial requirements service tariffs.” Provide KIUC’s definition of distributed generation and explain KIUC’s position in more detail.**

RESPONSE: KIUC defines distributed generation to be the production of electricity at or near the place of consumption. For distributed generation to be economically viable, customers must have: (1) access to power to supplement their distributed generation on terms that are reasonable and non-discriminatory; (2) access to standby generation service for periods in which there is an unplanned outage in the customer’s generation facility on terms that are reasonable and non-discriminatory; and (3) access to maintenance power for periods of planned outages of the customer’s generation facilities on terms that are reasonable and non-discriminatory. These three products – supplementary power, standby service, and maintenance power – are generally provided in a partial requirements rate schedule.

Because partial requirements rate schedules provide multiple products that are interrelated and, in some cases, contingent on the performance of the distributed generation unit, they are among the most complex rate schedules in a utility’s tariff. A well-structured partial requirements rate schedule will provide reasonable cost recovery for the utility without creating impediments to distributed generation through punitive rate provisions. Punitive rate provisions are those which seek to impose provisions that are more applicable to a full requirements customer (e.g., demand ratchet), or otherwise fail to take account of the intermittent nature of partial requirements service.

KIUC believes that partial requirements rate schedules should be designed to utilize wholesale power markets for provision of standby generation.